

Calendar No. 235

105TH CONGRESS
1ST Session

S. 1294

[Report No. 105-122]

A BILL

To amend the Higher Education Act of 1965 to allow the consolidation of student loans under the Federal Family Loan Program and the Direct Loan Program.

OCTOBER 29, 1997

Reported with an amendment

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105TH CONGRESS
1ST SESSION**S. 1294****[Report No. 105–122]**

To amend the Higher Education Act of 1965 to allow the consolidation of student loans under the Federal Family Loan Program and the Direct Loan Program.

IN THE SENATE OF THE UNITED STATES

OCTOBER 9, 1997

Mr. JEFFORDS introduced the following bill; which was read twice and referred to the Committee on Labor and Human Resources

OCTOBER 29, 1997

Reported by Mr. JEFFORDS, with an amendment

[Strike out all after the enacting clause and insert the part printed in italic]

A BILL

To amend the Higher Education Act of 1965 to allow the consolidation of student loans under the Federal Family Loan Program and the Direct Loan Program.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; REFERENCE.**

4 ~~(a) SHORT TITLE.—This Act may be cited as the~~
5 ~~“Emergency Student Loan Consolidation Act of 1997”.~~

1 (b) REFERENCES.—Except as otherwise expressly
 2 provided, whenever in this Act an amendment or repeal
 3 is expressed in terms of an amendment to, or repeal of,
 4 a section or other provision, the reference shall be consid-
 5 ered to be made to a section or other provision of the
 6 Higher Education Act of 1965 (20 U.S.C. 1001 et seq.).

7 **SEC. 2. LOAN CONSOLIDATION PROVISIONS.**

8 (a) DEFINITION OF LOANS ELIGIBLE FOR CONSOLI-
 9 DATION.—Section 428C(a)(4) (20 U.S.C. 1078-3(a)(4))
 10 is amended—

11 (1) by redesignating subparagraphs (C) and
 12 (D) as subparagraphs (D) and (E), respectively; and
 13 (2) by inserting after subparagraph (B) the fol-
 14 lowing new subparagraph:

15 “(C) made under part D of this title, ex-
 16 cept that loans made under such part shall be
 17 eligible student loans only for consolidation
 18 loans for which the application is received by an
 19 eligible lender during the period beginning on
 20 the date of enactment of the Emergency Stu-
 21 dent Loan Consolidation Act of 1997 and end-
 22 ing on October 1, 1998;”.

23 (b) TERMS OF CONSOLIDATION LOANS.—Section
 24 428C(b)(4)(C)(ii) is amended—

(1) in subclause (I), by inserting after “consolidation loan” the following: “for which the application is received by an eligible lender before the date of enactment of the Emergency Student Loan Consolidation Act of 1997, or on or after October 1, 1998,” ;

(2) by striking “or” at the end of subclause (I);

(3) by inserting “or (II)” before the semicolon at the end of subclause (II);

(4) by redesignating subclause (II) as subclause (III); and

(5) by inserting after subclause (I) the following new subclause:

“(II) by the Secretary, in the case of a consolidation loan for which the application is received by an eligible lender on or after the date of enactment of the Emergency Student Loan Consolidation Act of 1997 and before October 1, 1998, except that the Secretary shall pay such interest only on that portion of the loan that repays Federal Stafford Loans for which the student borrower received an interest subsidy under section 428 or Federal Direct Stafford Loans for which the borrower re-

1 received an interest subsidy under section
2 455; or”.

3 (c) INTEREST RATE.—Section 428C(c)(1) is amend-
4 ed by adding at the end the following new subparagraph:
5 “(D) A consolidation loan for which the applica-
6 tion is received by an eligible lender on or after the
7 date of enactment of the Emergency Student Loan
8 Consolidation Act of 1997 and before October 1,
9 1998, shall bear interest at an annual rate on the
10 unpaid principal balance of the loan that is equal to
11 the rate specified in section 427A(f).”.

12 (d) AMENDMENTS EFFECTIVE FOR PENDING APPLI-
13 CANTS.—The consolidation loans authorized by the
14 amendments made by this section shall be available not-
15 withstanding any pending application by a student for a
16 consolidation loan under part D of title IV of the Higher
17 Education Act of 1965, upon withdrawal of such applica-
18 tion by the student at any time prior to receipt of such
19 a consolidation loan.

20 **SEC. 3. ADMINISTRATIVE EXPENSE REDUCTIONS.**

21 Section 458(a)(1) (20 U.S.C. 1087h(a)(1)) is amend-
22 ed by striking “\$532,000,000” and inserting
23 “\$507,000,000”.

1 **SEC. 4. TREATMENT OF TAX BENEFITS.**

2 (a) FAMILY CONTRIBUTION FOR DEPENDENT STU-
3 DENTS.—

4 (1) PARENTS' AVAILABLE INCOME.—Section
5 475(e)(1) is amended—

6 (A) by striking “and” at the end of sub-
7 paragraph (D);

8 (B) by striking the period at the end of
9 subparagraph (E) and inserting “; and”; and

10 (C) by adding at the end the following new
11 subparagraph:

12 “(F) the amount of any tax credit taken
13 by the parents under section 25A of the Inter-
14 nal Revenue Code of 1986.”.

15 (2) STUDENT CONTRIBUTION FROM AVAILABLE
16 INCOME.—Section 475(g)(2) is amended—

17 (A) by striking “and” at the end of sub-
18 paragraph (C);

19 (B) by striking the period at the end of
20 subparagraph (D) and inserting “; and”; and

21 (C) by inserting after subparagraph (D)
22 the following new subparagraph:

23 “(E) the amount of any tax credit taken
24 by the student under section 25A of the Inter-
25 nal Revenue Code of 1986.”.

1 (b) FAMILY CONTRIBUTION FOR INDEPENDENT STU-
 2 DENTS WITHOUT DEPENDENTS OTHER THAN A
 3 SPOUSE.—Section 476(b)(1)(A) (20 U.S.C.
 4 1087pp(b)(1)(A)) is amended—

5 (1) by striking “and” at the end of clause (iv);
 6 and

7 (2) by inserting after clause (v) the following
 8 new clause:

9 “(vi) the amount of any tax credit
 10 taken under section 25A of the Internal
 11 Revenue Code of 1986; and”.

12 (c) FAMILY CONTRIBUTION FOR INDEPENDENT STU-
 13 DENTS WITH DEPENDENTS OTHER THAN A SPOUSE.—
 14 Section 477(b)(1) (20 U.S.C. 1087qq(b)(1)) is amended—

15 (1) by striking “and” at the end of subpara-
 16 graph (D);

17 (2) by striking the period at the end of sub-
 18 paragraph (E) and inserting “; and”; and

19 (3) by adding at the end the following new sub-
 20 paragraph:

21 “(F) the amount of any tax credit taken
 22 under section 25A of the Internal Revenue
 23 Code of 1986.”.

24 (d) TOTAL INCOME.—Section 480(a)(2) (20 U.S.C.
 25 1087vv(a)(2)) is amended—

1 (1) by striking “individual, and” and inserting
2 “individual,”; and

3 (2) by inserting “and no portion of any tax
4 credit taken under section 25A of the Internal Reve-
5 nue Code of 1986,” before “shall be included”.

6 (c) ~~OTHER FINANCIAL ASSISTANCE.~~—Section 480(j)
7 is amended by adding at the end the following new para-
8 graph:

9 “(4) Notwithstanding paragraph (1), a tax credit
10 taken under section 25A of the Internal Revenue Code of
11 1986 shall not be treated as estimated financial assistance
12 for purposes of section 471(3).”.

13 **SECTION 1. SHORT TITLE; REFERENCE.**

14 (a) *SHORT TITLE.*—*This Act may be cited as the*
15 *“Emergency Student Loan Consolidation Act of 1997”.*

16 (b) *REFERENCES.*—*Except as otherwise expressly pro-*
17 *vided, whenever in this Act an amendment or repeal is ex-*
18 *pressed in terms of an amendment to, or repeal of, a section*
19 *or other provision, the reference shall be considered to be*
20 *made to a section or other provision of the Higher Edu-*
21 *cation Act of 1965 (20 U.S.C. 1001 et seq.).*

22 **SEC. 2. LOAN CONSOLIDATION PROVISIONS.**

23 (a) *DEFINITION OF LOANS ELIGIBLE FOR CONSOLIDA-*
24 *TION.*—*Section 428C(a)(4) (20 U.S.C. 1078–3(a)(4)) is*
25 *amended—*

1 (1) by redesignating subparagraphs (C) and (D)
2 as subparagraphs (D) and (E), respectively; and

3 (2) by inserting after subparagraph (B) the fol-
4 lowing new subparagraph:

5 “(C) made under part D of this title, except
6 that loans made under such part shall be eligible
7 student loans only for consolidation loans for
8 which the application is received by an eligible
9 lender during the period beginning on the date
10 of enactment of the Emergency Student Loan
11 Consolidation Act of 1997 and ending on October
12 1, 1998;”.

13 (b) *TERMS OF CONSOLIDATION LOANS.*—Section
14 428C(b)(4)(C)(ii) is amended—

15 (1) in subclause (I), by inserting after “consoli-
16 dation loan” the following: “for which the application
17 is received by an eligible lender before the date of en-
18 actment of the Emergency Student Loan Consolida-
19 tion Act of 1997, or on or after October 1, 1998,” ;

20 (2) by striking “or” at the end of subclause (I);

21 (3) by inserting “or (II)” before the semicolon at
22 the end of subclause (II);

23 (4) by redesignating subclause (II) as subclause
24 (III); and

(5) by inserting after subclause (I) the following new subclause:

“(II) by the Secretary, in the case of a consolidation loan for which the application is received by an eligible lender on or after the date of enactment of the Emergency Student Loan Consolidation Act of 1997 and before October 1, 1998, except that the Secretary shall pay such interest only on that portion of the loan that repays Federal Stafford Loans for which the student borrower received an interest subsidy under section 428 or Federal Direct Stafford Loans for which the borrower received an interest subsidy under section 455; or”.

(c) NONDISCRIMINATION IN LOAN CONSOLIDATION.—Section 428C(b) is amended by adding at the end the following new paragraph:

“(6) NONDISCRIMINATION IN LOAN CONSOLIDATION.—An eligible lender that makes consolidation loans under this section shall not discriminate against any borrower seeking such a loan—

“(A) based on the number or type of eligible student loans the borrower seeks to consolidate;

1 “(B) based on the type or category of insti-
 2 tution of higher education that the borrower at-
 3 tended;

4 “(C) based on the interest rate that is au-
 5 thorized to be collected with respect to the con-
 6 solidation loan; or

7 “(D) with respect to the types of repayment
 8 schedules offered to such borrower.”.

9 (d) *INTEREST RATE.*—Section 428C(c)(1) is amend-
 10 *ed—*

11 (1) in the first sentence of subparagraph (A), by
 12 striking “(B) or (C)” and inserting “(B), (C), or
 13 (D)”; and

14 (2) by adding at the end the following new sub-
 15 paragraph:

16 “(D) A consolidation loan for which the applica-
 17 tion is received by an eligible lender on or after the
 18 date of enactment of the Emergency Student Loan
 19 Consolidation Act of 1997 and before October 1, 1998,
 20 shall bear interest at an annual rate on the unpaid
 21 principal balance of the loan that is equal to the rate
 22 specified in section 427A(f), except that the eligible
 23 lender may continue to calculate interest on such a
 24 loan at the rate previously in effect and defer, until
 25 not later than April 1, 1998, the recalculation of the

1 *interest on such a loan at the rate required by this*
 2 *subparagraph if the recalculation is applied retro-*
 3 *actively to the date on which the loan is made.”.*

4 *(e) AMENDMENTS EFFECTIVE FOR PENDING APPLI-*
 5 *CANTS.—The consolidation loans authorized by the amend-*
 6 *ments made by this section shall be available notwithstand-*
 7 *ing any pending application by a student for a consolida-*
 8 *tion loan under part D of title IV of the Higher Education*
 9 *Act of 1965, upon withdrawal of such application by the*
 10 *student at any time prior to receipt of such a consolidation*
 11 *loan.*

12 **SEC. 3. ADMINISTRATIVE EXPENSE REDUCTIONS.**

13 *Section 458(a)(1) (20 U.S.C. 1087h(a)(1)) is amended*
 14 *by striking “\$532,000,000” and inserting “\$507,000,000”.*

15 **SEC. 4. TREATMENT OF TAX BENEFITS.**

16 *(a) FAMILY CONTRIBUTION FOR DEPENDENT STU-*
 17 *DENTS.—*

18 *(1) PARENTS’ AVAILABLE INCOME.—Section*
 19 *475(c)(1) is amended—*

20 *(A) by striking “and” at the end of sub-*
 21 *paragraph (D);*

22 *(B) by striking the period at the end of sub-*
 23 *paragraph (E) and inserting “; and”; and*

24 *(C) by adding at the end the following new*
 25 *subparagraph:*

1 “(F) the amount of any tax credit taken by
2 the parents under section 25A of the Internal
3 Revenue Code of 1986.”.

4 (2) *STUDENT CONTRIBUTION FROM AVAILABLE*
5 *INCOME*.—Section 475(g)(2) is amended—

6 (A) by striking “and” at the end of sub-
7 paragraph (C);

8 (B) by striking the period at the end of sub-
9 paragraph (D) and inserting “; and”; and

10 (C) by inserting after subparagraph (D) the
11 following new subparagraph:

12 “(E) the amount of any tax credit taken by
13 the student under section 25A of the Internal
14 Revenue Code of 1986.”.

15 (b) *FAMILY CONTRIBUTION FOR INDEPENDENT STU-*
16 *DENTS WITHOUT DEPENDENTS OTHER THAN A SPOUSE*.—
17 Section 476(b)(1)(A) (20 U.S.C. 1087pp(b)(1)(A)) is
18 amended—

19 (1) by striking “and” at the end of clause (iv);
20 and

21 (2) by inserting after clause (v) the following
22 new clause:

23 “(vi) the amount of any tax credit
24 taken under section 25A of the Internal
25 Revenue Code of 1986; and”.

1 (c) *FAMILY CONTRIBUTION FOR INDEPENDENT STU-*
 2 *DENTS WITH DEPENDENTS OTHER THAN A SPOUSE.*—*Sec-*
 3 *tion 477(b)(1) (20 U.S.C. 1087qq(b)(1)) is amended—*

4 (1) *by striking “and” at the end of subpara-*
 5 *graph (D);*

6 (2) *by striking the period at the end of subpara-*
 7 *graph (E) and inserting “; and”; and*

8 (3) *by adding at the end the following new sub-*
 9 *paragraph:*

10 *“(F) the amount of any tax credit taken*
 11 *under section 25A of the Internal Revenue Code*
 12 *of 1986.”.*

13 (d) *TOTAL INCOME.*—*Section 480(a)(2) (20 U.S.C.*
 14 *1087vv(a)(2)) is amended—*

15 (1) *by striking “individual, and” and inserting*
 16 *“individual,”; and*

17 (2) *by inserting “and no portion of any tax*
 18 *credit taken under section 25A of the Internal Reve-*
 19 *nue Code of 1986,” before “shall be included”.*

20 (e) *OTHER FINANCIAL ASSISTANCE.*—*Section 480(j) is*
 21 *amended by adding at the end the following new paragraph:*

22 *“(4) Notwithstanding paragraph (1), a tax credit*
 23 *taken under section 25A of the Internal Revenue Code of*
 24 *1986 shall not be treated as estimated financial assistance*
 25 *for purposes of section 471(3).”.*